902. Specifications for Futures Contracts on Medium-Term ("5 Year") U.S. Treasury Notes.

Each futures contract on medium-term U.S. Treasury notes shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy, one U.S. Treasury note of deliverable grade having a principal amount of $100,000 for delivery in a specified month. Futures contracts in medium-term U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(a) Trading Sessions: Trading shall take place on each Business Day at such hours as may be specified from time to time by the Exchange; provided that trading in any futures contract for any delivery month shall terminate at 12:01 p.m. Chicago time on the last trading day for such delivery month.

(b) Delivery Months: Five consecutive delivery months following the current month (including the current month if it is a delivery month that is still listed for trading) are listed; provided, however, that the Exchange may determine to list futures contracts for additional delivery months or not to list any delivery month. Delivery months are March, June, September and December. Effective the first trading day following the last trading day in a delivery month, the next eligible delivery month shall automatically be listed.

(c) Last Trading Day: The last day on which trading shall be permitted in futures contracts for delivery in any delivery month (the "last trading day") shall be the last Business Day of the month.

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(d) Minimum Price Ticks: Minimum price ticks shall be one-half of one thirty-second of a point (or $15.625). *Provided, however,* that the Exchange may permit Members to enter quotes and orders for Calendar Time Spreads in one-quarter of one thirty-second of a point (or $7.8125).

(e) Permissible Delivery Days, Deliverable Grades, Performance: Delivery of medium-term U.S. Treasury notes may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of medium-term U.S. Treasury notes must be made no later than the last Business Day of that month; except that by mutual agreement settlement may be made after the last trading day but no later than the fifth Business Day immediately preceding the last Business Day of the delivery month by exchanging any open Medium-Term U.S. Treasury Note Futures contract for $100,000 medium-term U.S. Treasury note or comparable instruments or for a swap in accordance with Rule 417. Notwithstanding the requirements of Rules 416 and 417 that EFPs and EFSs be entered directly into the Trading System, EFPs and EFSs involving the expiring futures delivery month may be transacted after trading has ceased in that delivery month pursuant to procedures that the Exchange may from time to time promulgate. A permissible delivery day is any Business Day on which the Federal Reserve Wire is open.

(i) In order to be deliverable, medium-term U.S. Treasury notes must have an original maturity of not more than five years, three months and a remaining maturity on the first day of the delivery month of not less than four years and two months and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete one-month increments (e.g. 4 years, 5 months, 14 days is taken to be 4 years, 5 months) from the first day of the delivery month. All notes delivered against a contract must be of the same issue. To be delivered in the current month, the note must have been issued by the Treasury before the last day of trading in the current month. Conversion factors to be applied to deliverable issues shall be agreed with the Clearing Organization and published on the Exchange's website. The conversion factor is the price ($1 par value) at which a deliverable note with such note's coupon and remaining time to maturity would yield 6% as calculated by a standard yield- to-maturity formula.

(ii) New issues of U.S. Treasury notes which satisfy the standards in this regulation shall be added to the deliverable grades as they are issued. If during the auction of a note which will meet the standards of this chapter the Treasury re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly auctioned one, the older issue is deemed to meet the standards of this chapter and would be deliverable. The exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.

(iii) The purchaser shall pay the tender price. The tender price is $100,000 multiplied by the price of the contract at the close of trading in the contract, multiplied by the conversion factor for tendered note, plus interest accrued in accordance with department of the Treasury Circular 300, Subpart P.

(f) <u>Delivery and Payment Procedures</u>: Delivery of and payment for notes pursuant to this rule shall be made in accordance with the rules of the Clearing Organization.

(g) <u>Reportable Positions</u>: A Person shall report any position that such Person owns or controls in Medium-Term U.S. Treasury Note Futures of 800 contracts or more in any one delivery month.

(h) <u>Position Accountability</u>:

(i) A Person who owns or controls an aggregate position in Medium-Term U.S. Treasury Note Futures of more than 7,500 futures contracts and/or futures-equivalent contracts, or 20,000 option contracts for all months and all strike prices combined in each option category shall thereby be subject to the requirements of this Rule as set forth herein.

(ii) The term "futures equivalent position" means, in the case that a person's position includes option contracts, that each option contract in such position has been adjusted by the prior day's risk factor, or delta coefficient, for that option which has been calculated by the Clearing Organization and that the adjusted number of contracts are totaled. Long futures contracts in the position shall have a delta factor of +1, and short futures contracts shall have a delta factor of -1. Long call options and short put options shall have positive delta factors. Short call options and long put options shall have negative delta factors.

(iii) The "option categories" are long calls, short calls, long puts, and short puts.

(i) Settlement Prices: The Exchange will base its settlement price recommendations on trading conditions at 2:00 p.m. except that:

i. On the last day of trading in a delivery month the settlement price recommendation for that delivery month will be based on conditions in that contract at the close of trading; or

ii. If the Exchange alters its Trading Session, the Exchange may change the time for determining the settlement price.

909. Specifications for Futures Contracts on Three-Year ("3 Year") U.S. Treasury Notes.

Each futures contract on three-year U.S. Treasury notes shall be a contract whereby the seller agrees to sell and deliver, and the buyer agrees to buy, one three-year U.S. Treasury note of deliverable grade having a principal amount of $200,000 for delivery in a specified month. Futures contracts in three-year U.S. Treasury Notes shall be traded and performed in accordance with the following specifications:

(i) Trading Sessions: Trading shall take place at such hours as may be specified from time to time by the Exchange; provided that trading in any futures contract for any delivery month shall terminate at 12:01 p.m. Chicago time on the last trading day for such delivery month.

(j) Delivery Months: Five consecutive delivery months following the current month (including the current month if it is a delivery month that is still listed for trading) are listed; provided, however, that the Exchange may determine to list futures contracts for additional delivery months or not to list any delivery month. Delivery months are March, June, September and December. Effective the first trading day following the last trading day of a futures contract for any delivery month, the next eligible delivery month shall automatically be listed for trading.

(k) Last Trading Day: The last day on which trading shall be permitted in futures contracts for delivery in any delivery month (the "last trading day") shall be the last Business Day of the month.

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(l) Minimum Price Ticks: Minimum price ticks shall be one-quarter of one thirty-second of a point (or $15.625).

(m) Permissible Delivery Days, Deliverable Grades, Performance: Delivery of three-year U.S. Treasury notes may be made by the short upon any permissible delivery day of the delivery month the short may select. Delivery of three-year U.S. Treasury notes must be made no later than the last Business Day of that month; except that by mutual agreement settlement may be made after the last trading day but no later than the second Business Day immediately preceding the last Business Day of the delivery month by exchanging any open three-year U.S. Treasury Note Futures contract for $200,000 three-year U.S. Treasury notes or comparable instruments or for a swap in accordance with Rule 417. Notwithstanding the requirements of Rules 416 and 417 that EFPs and EFSs be entered directly into the Trading System, EFPs and EFSs involving the expiring futures delivery month may be transacted after trading has ceased in that delivery month pursuant to procedures that the Exchange may from time to time promulgate. A permissible delivery day is any Business Day on which the Federal Reserve Wire is open.

(i) In order to be deliverable, three-year U.S. Treasury notes must have an original maturity of not more than five years, three months and a remaining maturity on the first day of the delivery month of not less than two years, eight months and not more than three years, one month and must carry semi-annual interest payments. In determining maturity, the time to maturity of a given issue is calculated in complete one-month increments (e.g. 3 years, 1 month, 17 days is taken to be 3 years, 1 month) from the first day of the delivery month. All notes delivered against a contract must be of the same issue. To be delivered in the current month, the note must have been issued by the Treasury before the last day of trading in the current month. Conversion factors to be applied to deliverable issues shall be agreed with the Clearing Organization and published on the Exchange's website. The conversion factor is the price ($1 par value) at which a deliverable note with such note's coupon and remaining time to maturity would yield 6% as calculated by a standard yield-to-maturity formula .

(ii) New issues of U.S. Treasury notes which satisfy the standards in this regulation shall be added to the deliverable grades as they are issued. If during the auction of a note which will meet the standards of this chapter the Treasury re-opens an existing issue, thus rendering the existing issue indistinguishable from the newly auctioned one, the older issue is deemed to meet the standards of this chapter and would be deliverable. The exchange shall have the right to exclude any new issue from deliverable status or to further limit outstanding issues from deliverable status.

(iii) The purchaser shall pay the tender price. The tender price shall be $200,000, multiplied by the price of the contract at the close of trading in the contract, multiplied by the conversion factor for the tendered note, plus interest accrued in accordance with department of the Treasury Circular 300, Subpart P.

(n) Delivery and Payment Procedures: Delivery of and payment for notes pursuant to this rule shall be made in accordance with the rules of the Clearing Organization.

(o) Reportable Positions: A Person shall report any position that such Person owns or controls in Three-Year U.S. Treasury Note Futures of 750 contracts or more in any one delivery month.

(p) Position Accountability:

(i) A Person who owns or controls an aggregate position in Three-Year U.S. Treasury Note Futures of more than 7,500 futures contracts and/or futures-equivalent contracts, or 20,000 option contracts for all months and all strike prices combined in each option category shall thereby be subject to the requirements of this Rule as set forth herein.

(ii) The term "futures equivalent position" means, in the case that a person's position includes option contracts, that each option contract in such position has been adjusted by the prior day's risk factor, or delta coefficient, for that option which has been calculated by the Clearing Organization and that the adjusted number of contracts are totaled. Long futures contracts in the position shall have a delta factor of +1, and short futures contracts shall have a delta factor of -1. Long call options and short put options shall have positive delta factors. Short call options and long put options shall have negative delta factors.

(iii) The "option categories" are long calls, short calls, long puts, and short puts.

(q) Settlement Prices: The Exchange will base its settlement price recommendations on trading conditions at 2:00 p.m. except that:

(i) On the last day of trading in a delivery month the settlement price recommendation for that delivery month will be based on conditions in that contract at the close of trading; or

(ii) If the Exchange alters its Trading Session, the Exchange may change the time for determining the settlement price.